

LOSS PREVENTION

SPOTLIGHT

Summer 2002

FOCUSING ON LOSS PREVENTION INFORMATION FOR STATE AGENCIES

*Contracts, Risk
Management and
Forecasting Division
Office of Financial
Management*

John Nicholson, Risk
Management Coordinator

Claims Administration

Mike Kirkpatrick, Claims
Administrator
John Bilbrey
Kathy Cleveland
Geri Hartley
Tuan Hoang
Cindy Palm
Ron Shurer
Dan Sockle

*Local Government
Self Insurance Program*

John Nicholson, Risk
Management Coordinator
Don Johnsen

Loss Prevention

Jolene Bellows,
Loss Prevention Manager
and *Spotlight* Editor

Risk Finance

Nancy Heyen, Risk
Finance Manager
Nazmoon Rodolfo
Claudia Schmitz

*Risk Management
Administrator*

Betty Reed

Vehicle Accident Prevention "Focus" in High Gear

Borrowing a successful loss prevention strategy in place for several years in local government circles, the Risk Management Division (RMD) launched its first "focus" for 2002-3—preventing state vehicle driver losses. The "focus" concept consists of identifying one issue or concern, placing attention and resources on it for an extended amount of time, and measuring the results of this emphasis. More often than not, when accident reduction is emphasized and resources concentrated, the change is positive. In the risk management world the goal is first and foremost save lives. If the goal is achieved and a positive outcome results, it means citizens and state employees are spared painful injuries (or loss of life) and both citizens and the State are spared expensive losses that result when vehicles or other property are damaged.

While citizens rightfully expect State drivers to operate their vehicles in a lawful, courteous and safe manner, some members of the driving public at large don't always prescribe to the same philosophy, which sometimes results in unavoidable injuries to the state driver or damage to state vehicles. However, driving challenges abound for all drivers, with more cars and trucks on the road, not to mention increased cases of road rage and cell phone or other distraction activities.

Another plus for this first focus is that it crosses all agency lines. While some agencies require an extensive amount of driving to deliver services to citizens, other agencies may require much less.

FAST FACTS: Payouts from the Self-Insurance Liability Program fund for Fiscal Year 2002 included \$33.6 million for indemnity payments, and \$22.7 for defense payments for a total of \$56.3 million in losses.



Commercial Insurance **UPDATE**

2001 Events Drives Difficult 2002 Insurance Market

Property Insurance

Property renewals for State of Washington in 2002 have proved to be challenging, not unlike the market for all lines. Property insurance purchased by state agencies covers buildings, contents, electronic data processing equipment and fine arts. Figuring into the insurance estimates are the following factors:

- Post 9/11 terrorist attack loss estimates – both dollar losses and uncertain economic impact
- Pre 9/11 catastrophic events such as earthquakes, hurricanes, and floods – making 2001 the worst in insurance history
- Enron failure - it created a mix of financial impact and more economic uncertainty

Rate Summary for Master Property Policy

- Expiring policy period rate: .087/ per \$100 **New rate: .1152/per \$100.**
- Expiring deductible: \$10,000 for theft and \$5,000 for other perils. **New rate: \$50,000 for all perils except earthquake and flood.**
- Catastrophic deductible for earthquake and flood has **increased** from 2% of insured values at any one location to **3%.**
- A further complication: Currently there is a 35% gap in coverage for the first \$10 million layer. Diligent attempts to fill this 35% gap are being made. However, if a covered loss occurs in an amount above \$250,000

See "Update" on the back

Update (continued)

- (the primary Chubb Insurance layer), **only 65% of the loss will be covered by the commercial property insurance at this time.** Agencies will be notified of any changes that develop.

Aviation and Marine Insurance

Losses from 9/11 and two other wide body aircraft crashes made 2001 a record loss year. The State's aviation underwriter (Ace) sold their aviation book of business to cut further loss, thereby reducing quotes in this limited market. While not directly affected by 9/11, the marine insurance industry tends to be under the same management as aviation. Rate information is currently not available.

Excess Liability

This challenging insurance line has a limited number of carriers vying for State business. Continued high costs are anticipated, and availability only as excess of high retention. Rate information is currently not available.

Some Good News - Medical Malpractice Policy

Surprisingly in this year's insurance market woes, Student Medical Malpractice renewed September 1, with *no change in rates*. The \$9.75 per student rate continues in the new policy year. Student medical malpractice insurance covers students and faculty members for claims made against them while instructing/practicing in the given specialty field (e.g., medical, dental, counseling specialties and more).

"Focus" in High Gear (continued)

Also, the National Highway Traffic Safety Administration issued its second advisory warning in two years regarding the rollover risk of 15-passenger vans. These vans are a main staple of transportation for state colleges and universities, presenting an additional motive for directing the State's first loss prevention focus to safe driving practices. Identifying "best practices" for the safe operation of 15-passenger vans will be part of the focus.

For pool vehicles, the State Motor Pool reported that in 2001 state employees traveled 17.1 million miles, with 15.6 million of those miles logged by employees in permanently assigned vehicle and the remaining in "trip" vehicles. This does not count many more millions of miles logged by state employees driving agency-owned or rented vehicles. Whether completing the agency mission involves traversing the back roads of the Palouse or traveling up and down I-5, the Risk Management Division challenges agencies to find ways to place greater emphasis on vehicle safety for the benefit of employees and the driving public at large. Everyone wins with this effort!

Risk Management Gains Visibility at Budget Time

The former Office of Risk Management (Department of General Administration) became the Risk Management Division (RMD) at Office of Financial Management following recommendations of the 2001 Risk Management Task Force. Also included in this move to increase state agency accountability, was a change to include risk management goals as part of the budget process. Now, an agency's self-insurance premium is budgeted as a *distinct line item* at either the maintenance or performance level instead of through the revolving fund adjustment process. This approach is designed to enhance the oversight of agency loss trends and to improve strategies to mitigate future losses.

To help agencies understand their premium allotments and the new budget instructions calling for risk management goals, RMD provided over 30 risk management briefings to agency executive management teams. These briefings provided a historical perspective of the spiraling losses, agency-level data and a review of RMD resources to assist agencies with loss prevention goals.

Budget instructions required agencies to provide the following information in the decision package narrative:

- Dollar amount of agency's self insurance premium for previous, current and ensuing biennia
- Summary of agency loss trends for the past 5 years
- Summary of agency potential future loss trends and explanation of strategies to mitigate or precluding losses from occurring in the future
- Action the agency has taken to comply with the Governor Executive Order on Risk Management
- Discussion of agency risk management goals, performance measures, and progress toward meeting goals

Risk Management News at Your Fingertips

Short on time, but long on need for loss prevention information? Subscribe to RMD's "Risk-E-Mail".

This twice monthly e-mail communiqué provides brief, sound-bites of information on upcoming statewide risk management training opportunities, risk management "best practices", risk or loss prevention trends on the horizon, helpful resources, and more.

Send requests for addition to the distribution list to: Jolene Bellows, Loss Prevention Manager at jolene.bellows@ofm.wa.gov or phone (360) 902-7312

Risk Management Word Power

Negligent or Negligence - Failure to use the degree of care considered to be a reasonable precaution under the given circumstances. This can refer to an act of omission, commission or both.

Attention Readers

This is your newsletter and we would like to hear from you on what you would like to see in future editions.

Contact us with your ideas and comments at: riskmanagement@ofm.wa.gov